

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In re:

Chapter 7 Bankruptcy

SRC Holding Corporation, f/k/a
Miller & Schroeder, Inc., and its subsidiaries,

Jointly Administered

Debtors.

BKY Case Nos. 02-40284 to 02-40286

**NOTICE TO ALL CREDITORS OF HEARING ON TRUSTEE'S
PROPOSED SETTLEMENT**

TO: The United States Trustee, all creditors and other parties in interest.

Please take notice that a hearing on a motion which has been, or will be, filed in this case by the undersigned seeking approval and authorization of a proposed settlement of adversary proceeding *Brian F. Leonard, Trustee vs. The Marshall Group*, Adv. No. 04-4044 (the "Adversary Proceeding") will be held before the Honorable Nancy C. Dreher in Courtroom 7 West, U.S. Courthouse and Federal Building, 300 South Fourth Street, Minneapolis, Minnesota 55402 on September 22, 2004 at 1:00 o'clock p.m. Any response or objection to the motion must be served and filed no later than September 12, 2004 if served by mail, or no later than September 15, 2004 if served by physical delivery. **IF NO OBJECTION OR RESPONSE IS SERVED AND FILED, THE COURT MAY GRANT THE RELIEF REQUESTED WITHOUT A HEARING.**

In August, 2001, the Debtors sold their remaining assets to The Marshall Group through an Asset Purchase Agreement ("APA") under which The Marshall Group agreed to (a) pay a maximum of \$1.6 million contingent upon The Marshall Group achieving certain revenue results, and (b) assume certain liabilities of the Debtors. In the Adversary Proceeding, the Trustee claims that the value of the assets purchased by The Marshall Group under the APA was greater than the sum of the purchase price paid and liabilities assumed.

The Trustee engaged two business evaluation experts, Comstock Valuation Advisors, Inc. and Enger, Easton & Associates, LLP, which valued the assets purchased by The Marshall Group at \$15-17 million. The Marshall Group's valuation expert, Goldsmith, Agio, Helms and Llyner, LLC, valued the assets purchased by The Marshall Group at \$2 million.

The Marshall Group maintains that the cash payment obligations, and amount of liabilities, under the APA, is approximately \$13,575,000.00, while the Trustee maintains that such cash payments and liabilities assumed amount to \$6,500,000.00

The Trustee's motion seeks approval of a Settlement Agreement and Release (the "**Settlement**"), which is more fully described in the Trustee's motion, and to which the undersigned refers parties seeking additional details. The salient features of the settlement are that The Marshall Group will pay the Trustee, in full and final settlement of all of the Trustee's claims, and in addition to the amounts payable and liabilities assumed under the APA, the following:

- (a) \$900,000.00 in collected funds on or before December 31, 2005;
- (b) \$200,000.00, or an amount equal to the business valuation expert fees and actual attorneys' fees and costs incurred by the Trustee in this matter, whichever is less, in four equal quarterly installments with the first payment due within ten days of the entry of a final order approving the settlement;
- (c) \$200,000.00, as additional contingent payments under the APA payable between September 15, 2005 and June 15, 2006. These payments are contingent upon the same revenue results as the contingent payments under the APA; and
- (d) \$100,000.00, contingent upon a recovery that The Marshall Group or its subsidiary receives as reimbursement of its legal fees and expenses in connection with litigation in Adversary No. 03-4291, in the amount of 50% of such recovery to a maximum of One Hundred Thousand Dollars, payable when The Marshall Group or its subsidiary receives such reimbursements.

The Settlement provides, among other things, that the Trustee will waive, release, and forever discharge The Marshall Group, its parents, subsidiaries, affiliates, predecessors, successors, assigns, employees, directors, officers, attorneys and other professionals (collectively, the "**Marshall Released Parties**") from any and all claims, successor claims, controversies, complaints, debts, damages, demands, obligations, costs, expenses, liens, contracts, agreements, torts, actions and causes of action, attorneys' fees and liabilities of every kind and nature whatsoever, in law or in equity, entitlement to Damages and/or injunctive relief, arising out of agreement or imposed by statute, common law or otherwise, known or unknown, direct or indirect, fixed or contingent, suspected or unsuspected, whether yet accrued or not and whether damage has resulted from such or not, that the Trustee may have or may be able to assert against any of the Marshall Released Parties, including without limitation, any and all legal or equitable claims and successor claims that were alleged or could have been alleged in connection with the Complaint or the Adversary Proceeding or otherwise under Chapter 5 of Title 11 of the United States Code, arising out of the APA or the APA Transactions or predicted upon breaches of contract or fiduciary duty, alter ego, successor liability, fraudulent or preferential transfers, or otherwise.

The undersigned believes that the risk and expense of litigation, based upon the facts stated herein, justify the settlement proposed and that the same is fair and reasonable under the facts of this case.

Any person/entity wishing a full copy of the Trustee's motion and the full Settlement Agreement and Release may obtain a copy of the same at www.mnb.uscourts.gov, or by requesting a copy in writing from the undersigned.

/e/ Brian F. Leonard

Dated: August 19, 2004

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